

REPORT BY THE  
AUDITOR GENERAL  
OF CALIFORNIA

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**A REVIEW OF  
THE DEPARTMENT OF CORRECTIONS'  
SELECTION OF A PRISON SITE  
IN LOS ANGELES COUNTY**

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REPORT BY THE  
OFFICE OF THE AUDITOR GENERAL

P-655

A REVIEW OF THE DEPARTMENT OF CORRECTIONS'  
SELECTION OF A PRISON SITE IN LOS ANGELES COUNTY

DECEMBER 1986



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Auditor General

December 2, 1986

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Honorable Art Agnos, Chairman  
Members, Joint Legislative  
Audit Committee  
State Capitol, Room 3151  
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the need for the Department of Corrections to follow its established process when selecting prison sites and to reassess the value of the Los Angeles prison site because of the presence of toxic waste on adjacent property.

Respectfully submitted,

  
THOMAS W. HAYES  
Auditor General

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## SUMMARY

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### RESULTS IN BRIEF

Between approximately July 1983 and February 1985, the Department of Corrections (department) followed its established procedures in searching for a site for a Level III prison in Los Angeles County. This prison was to include facilities for work, training, and educational programs. The department did not follow its established procedures, however, when it selected the Crown Coach site in Los Angeles County for a prison reception center, a facility where new inmates are housed until the department determines where they should be placed. In addition, the appraisers who estimated the market value of the Crown Coach site did not consider the effect of either the hazardous waste contamination on adjacent property or the potential contamination on the selected site. As a result of these conditions, the department may not have identified the best site for the reception center, and the completion of the reception center may be delayed.

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### BACKGROUND

The Department of Corrections is responsible for the confinement, care, treatment, and training of men and women whom the courts have convicted of committing serious crimes. Since 1976, the prison population has risen from less than 21,000 to approximately 55,000 inmates, severely crowding the State's prisons. In fact, the department estimates that the prison population will rise to approximately 95,000 men and women by 1991. In 1982, state law authorized the department to establish six new prisons and required that one of the six prisons be in Los Angeles County. In February 1985, the department selected a site for a prison reception center to be constructed in downtown Los Angeles. The department refers to this site as the "Crown Coach site."

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## PRINCIPAL FINDINGS

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### The Department of Corrections Did Not Follow Its Established Procedures In Selecting a Prison Site in Los Angeles County

While the department followed its established procedures in searching for a site for a Level III prison in Los Angeles County, the department did not follow its procedures when it decided to purchase the Crown Coach site for a prison reception center in Los Angeles County. The department made this decision because the Crown Coach site has a willing seller, is appropriately located, is close to services, and because there was little local opposition at the time to constructing a prison on this site. However, the department has no record that it evaluated other sites for a reception center, nor, at the time, had the department established any criteria for evaluating sites for reception centers. As a result, the department may not have identified the best site for the reception center. We do not have sufficient information, however, to determine whether the department actually identified any sites better suited for a reception center than the Crown Coach site.

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### Hazardous Waste Contamination Adjacent to the Crown Coach Site Is Likely To Reduce Its Appraised Value And May Delay Construction of the Prison

The appraisers who estimated the market value of the Crown Coach site did not consider the effect of either the hazardous waste contamination of adjacent property or the potential contamination of the selected site itself. According to our consultant who reviewed the appraisals, appraisers do not normally check with state or federal agencies to identify hazardous waste sites. However, our consultant believes that the presence of an identified hazardous waste site adjacent to the Crown Coach site may decrease the market value

of the site. In addition, testing for hazardous waste has not been conducted on the portion of the Crown Coach site adjacent to the identified hazardous waste site, which is owned by the Southern California Gas Company (SCGC). The SCGC, which is responsible for the contamination, also owned this portion of the Crown Coach site at one time. Therefore, the State cannot be assured that the contamination does not extend to the proposed prison site. Finally, because the Health and Safety Code requires any owner who plans to build on or within 2,000 feet of a significant disposal of hazardous waste to apply to the Department of Health Services (DHS) for clearance before construction begins, the construction of a reception center on the Crown Coach site may be delayed. However, the director of the DHS has stated that it is quite unlikely that his department will make a determination regarding hazardous waste on the building site or on the adjacent property that will cause a delay if a cleanup agreement with the SCGC is reached.

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## RECOMMENDATIONS

The Department of Corrections should take the following actions:

- Follow established procedures for selecting sites for prisons, establish criteria for selecting sites for the types of prisons to be built, and evaluate proposed sites against established criteria;
- Have the soil of the Crown Coach site tested for hazardous waste contamination and determine whether the contamination will affect the construction or operation of the proposed prison; and
- Have the Department of General Services reappraise the Crown Coach site.



## AGENCY COMMENTS

The State and Consumer Services Agency concurs with our findings related to its property appraisals; however, the Youth and Adult Correctional Agency disagrees with our conclusions that it did not follow its established procedures in selecting the Crown Coach site and that construction of a prison on the property may be delayed.

The Youth and Adult Correctional Agency believes that it did follow its established procedures in selecting the Crown Coach site. It states that a change in the project description did not necessitate that the selection process begin anew. Also, the agency believes that the hazardous waste problem will be resolved by the Southern California Gas Company and will not delay or materially affect the proposed prison's construction.

## INTRODUCTION

The Department of Corrections (department) is responsible for the confinement, care, treatment, and training of approximately 55,000 men and women whom the courts have convicted of committing serious crimes. The director of corrections administers the department, which operates a central office in Sacramento, 12 major prisons, and 30 conservation camps throughout the State.

In recent years, the inmate population in the department's prisons has increased considerably. Since 1976, the inmate population has risen from less than 21,000 to approximately 55,000 inmates, severely crowding the State's prisons. For example, in May 1986, the department's prisons were occupied at 166 percent of design capacity. The department currently projects that the prison population in 1991 will total approximately 95,000 men and women. The department's current plan is to increase prison capacity to house approximately 16,500 more inmates to reduce overcrowding at existing institutions and to accommodate the projected increase of inmates.

Funds for the new prison construction program have been provided primarily through three voter-approved, general obligation bond acts totaling almost \$1.3 billion. The department reported that, during fiscal year 1985-86, the State spent approximately \$239,241,000 on the construction.

State prisons can include eight types of facilities: Level I (minimum security), Level II (low-medium security), Level III (medium security), Level IV (maximum security), reception, medical/psychiatric, security housing, and women's. Level I prisons are least secure, and Level IV prisons are most secure. The other types of facilities are used for special purposes. For example, at reception facilities, called reception centers, department staff classify newly sentenced inmates according to their security risk, that is, their potential for escape or violence. After determining an inmate's security level, the department assigns the inmate to the institution to which he or she is best suited.

To determine the number and types of prisons to be built, the department projects what the inmate population will be at June 30 for each of the next five years and determines the characteristics of this population. The department updates its inmate population projections semiannually. The department provides these projections to its consulting firm, Kitchell CEM, which estimates the number of beds, by type of facility, that the department will need. This estimate is based on the number of beds available in existing prisons, the number of beds that will become available as new prisons are constructed, and an allowance for an acceptable amount of overcrowding. Using these estimates as well as other information, a committee headed by the undersecretary of the Youth and Adult Correctional Agency and composed of the department's director, chief deputy director, deputy director for planning and construction, and, at times, a representative from

Kitchell CEM, decides on the type, size, and location of facilities the department will plan to build.

The department describes these facilities in its Facilities Master Plan, which is prepared annually. Under the 1986-1991 Facilities Master Plan, the department plans to build ten new prisons and construct additions to four existing prisons. Presently, three new prisons are nearing completion, four are under construction, and three are in the planning stages. (See Appendix C for a schedule of estimated costs for seven of these prison sites.)

Chapter 1549 of the Statutes of 1982 authorizes the department to construct and establish six medium security prisons and requires that one of the prisons be in Los Angeles County. In February 1985, the department proposed a construction site at 12th Street and Santa Fe Avenue in downtown Los Angeles. Presently, the proposed site comprises 14 parcels totaling approximately 20 acres owned by five individuals or companies. The department refers to this proposed site as the "Crown Coach site."

The area of the Crown Coach site is zoned by the City of Los Angeles as M3-1 and is heavily developed with industrial and distribution facilities. Properties zoned M3-1 may be used for heavy and light industrial purposes such as transportation operations, warehousing, distribution, and food processing. In September 1981, the Los Angeles City Council passed Ordinance No. 156,279, which modifies

zoning and building codes to allow artists to occupy commercial and industrial properties for both work and residence.

According to the Facilities Master Plan for 1986-1991, the department plans to build on the Crown Coach site a prison composed of a 1,000-bed reception center; a 500-bed, Level III facility; and a 200-bed, Level I facility.

#### SCOPE AND METHODOLOGY

The purpose of this audit was to determine whether the Department of Corrections complied with existing laws and its own established procedures in selecting the Crown Coach site in Los Angeles County. We reviewed state laws and regulations, the department's manuals, and its planning documents. We also interviewed officials from the Youth and Adult Correctional Agency, the Department of Corrections, the Department of General Services, and the Department of Health Services.

We also compared the process the department used to select a site for a prison in Los Angeles County to the process the department used to select prison sites in the counties of Amador, Del Norte, Riverside, San Bernardino, and Kings.

To determine whether the appraised value of the Crown Coach site is accurate, we obtained a history of the sales of the properties

included in the Crown Coach site from the records of the Los Angeles County Assessor. We also reviewed methods the Department of General Services used to develop its appraisals. Finally, we hired an independent appraisal consultant to evaluate appraisals and to advise us of the effect the adjacent hazardous waste site has on the appraised values of the Crown Coach site. Our consultant holds the following professional designations: Member of the Appraisal Institute (MAI) of the American Institute of Real Estate Appraisers; Senior Real Property Appraiser (SRPA), Society of Real Estate Appraisers; Senior Member, Real Estate, American Society of Appraisers (ASA).

## AUDIT RESULTS

### I

#### THE DEPARTMENT OF CORRECTIONS DID NOT FOLLOW ITS ESTABLISHED PROCEDURES IN SELECTING A PRISON SITE IN LOS ANGELES COUNTY

In February 1985, the Department of Corrections (department) selected a site on which to build a prison reception center in Los Angeles County and discontinued looking for a site for a Level III, fully programmed prison. In the department's previous attempts to select a site for a Level III prison in the county, it followed its established procedures. However, in selecting the site for a reception center, known as the "Crown Coach site," the department did not first establish criteria for selecting sites for reception centers. Furthermore, the department has no record that it evaluated the suitability of alternative sites. As a result, the department may not have identified the best site for the proposed prison. Officials of the Youth and Adult Correctional Agency and of the department stated that they decided to select the Crown Coach site and discontinued looking for a site for the Level III prison because the State needed more reception center beds and fewer Level III beds. Also, they stated that there was, at the time, no opposition from the community and that the site is appropriately located, close to services, and available for purchase.

As Appendix A explains in detail, to select a prison site, the department uses the following procedures: it determines a general area for a prison; it defines the types of facilities that will constitute the prison; it identifies the capacity and the design requirements of the prison; it establishes criteria for suitable building sites; it identifies and evaluates alternative sites against these criteria; and it solicits comments from members of the community. The department's policy is to select the site that best satisfies the criteria and that receives the least opposition from the community.

Chapter 1549 of the Statutes of 1982 requires the department to construct a medium security prison in Los Angeles County. The law also stipulates that the new prison in San Joaquin County cannot be occupied until the department begins construction of the prison in Los Angeles County. Chapter 958 of the Statutes of 1983 prohibits the occupancy of the new prison in San Diego County until a site is selected for the prison in Los Angeles or Riverside Counties. Chapter 324, Statutes of 1983, requires the department to model the Los Angeles prison after the design of the San Diego prison, which comprises three 500-bed, Level III facilities and one 200-bed, Level I facility.



Earlier Efforts To Select a  
Prison Site Generally Followed the  
Department's Standard Process

The department used its established criteria for 1,700-bed, Level III prisons and its selection process detailed in Appendix A in an attempt to select a site for the Level III prison it planned to build in Los Angeles County. The department's established criteria for this type of prison specify that the site comprise at least 40 acres of land, have access to utilities and to fire service, and not be more than 50 miles from a metropolitan area or more than ten minutes from emergency and hospital services. With the help of the Department of General Services, the department identified over 100 potential sites for the prison, eliminated 36 sites as unacceptable, considered 64 sites, and selected 10 sites as the most desirable. The department evaluated at least 21 of the approximately 100 sites it originally identified against its criteria for Level III prisons. Eleven were judged less desirable for various reasons, including the presence of toxic materials, remoteness from metropolitan areas, high cost, or inadequate size.

In February 1984, the department selected a site known as the Sierra Highway site. Although this site had previously been considered less desirable than the final ten selected by the department, according to the chief deputy director of the department, it offered several advantages, including a willing seller and a low price. According to a memo issued by the chief deputy director, the site's main disadvantage

was its 81-mile distance from downtown Los Angeles. However, the department later learned from the Department of the Air Force that the Sierra Highway site would not be suitable for a prison because it would interfere with the Air Force's national defense mission and because it would be subject to excessive noise.

In Selecting the Crown Coach Site, the  
Department Deviated From Its Usual Process

After rejecting the Sierra Highway site, department staff began again evaluating alternative sites for a 1,700-bed, Level III facility. In early 1984, the department learned of an 8-acre parcel of land owned by the Crown Coach Corporation that was available in the City of Los Angeles. Since the site did not meet the 40-acre minimum for a 1,700-bed, Level III prison, the department decided to consider building a prison reception center on the site. In addition to considering the Crown Coach site for a reception center, during 1984 the department was also considering four other sites for a Level III prison in Los Angeles County. In February 1985, the department discontinued its search for a site for a Level III prison and selected the Crown Coach site for a reception center. However, in making this choice, the department did not follow its standard process for selecting prison sites, which includes first developing criteria for sites and evaluating the suitability of other potential sites. As Table 1 shows, the department evaluated between 3 and 20 potential sites in selecting sites for six other new prisons.

**TABLE 1**  
**THE DEPARTMENT OF CORRECTIONS' PROCESS**  
**FOR SELECTING SEVEN PRISON SITES**

<u>County/Site</u>	<u>Prison Beds/ Security Level</u>	<u>How General Area Was Identified</u>	<u>Number of Sites Evaluated</u>	<u>Opposition from Community?</u>	<u>Type of Environmental Study Required*</u>	<u>Environmental Study Completed Before Purchase?</u>
Amador/Ione	1,500/III 200/I	Legislation	5	No	EIR	Yes
Del Norte/ Crescent City	2,000/IV 200/I	Community	15	No	EAS	Yes
Kings/Avenal	3,000/II	Community	7	No	EIR	Yes
Kings/Corcoran	1,000/IV 1,500/III 400/I	Community	3	No	EAS	Yes
Los Angeles	1,500/III 200/I	Legislation	40**	N/A	EIR	N/A
	1,000/ Reception 500/III 200/I	Community	1**	No	EIR	N/A
Riverside/ Blythe	2,000/II	Community	20	No	EAS	Yes
San Bernardino/ Adelanto	1,000/IV 150/I	Community	8	Yes	EIR	Yes

\*The California Environmental Quality Act requires Environmental Impact Reports (EIRs) for projects that may significantly affect the environment. For three prison projects listed above, the Legislature has authorized the department to prepare Environmental Assessment Studies (EAS), which, unlike the EIRs, do not evaluate the alternatives to the project.

\*\*Includes sites for which the department completed preliminary site evaluation forms.

According to the undersecretary of the Youth and Adult Correctional Agency and the chief deputy director of the department, they and the department's director and its deputy director of the Planning and Construction Division selected the Crown Coach site for a reception center because the State needs additional reception centers.

The undersecretary also said that the department selected the Crown Coach site because it is relatively close to the Los Angeles County jail, is in an older industrial area, has access to professional resources, and is available for purchase. Furthermore, he said that, at a public meeting in November 1984, there was little local opposition to locating the prison there. He said that he directed the department to stop looking for a site for a 1,700-bed, Level III, work-based prison because the State did not need so many Level III beds and because he was planning to propose legislation that would relieve the department of the requirement to build a Level III prison in Los Angeles County.

The deputy secretary for the Youth and Adult Correctional Agency said that he personally evaluated the suitability of other sites for a reception center but found that none were acceptable. He said, however, that he did not make a written record of these evaluations.

Because the department did not evaluate the Crown Coach site or other sites against specific criteria for the type and size of prison it plans to build there, the department may not have selected the site that is best suited for that type of facility and that has the least opposition from the community. In addition, by deviating from its established procedures for selecting prison sites, the department is, in our opinion, increasing the risk that the public will doubt the department's credibility.

We reviewed the process the department used for selecting the Crown Coach site for the reception center, and we also reviewed the sites the department evaluated for the Level III prison to determine whether any of those sites were acceptable for a reception center. We determined that three sites could have been considered because they are similar to the Crown Coach site in size, shape, location, and use. We do not conclude, however, that any of these sites is better suited for the proposed reception center than the Crown Coach site because the department does not have criteria for selecting sites for reception centers. To further evaluate the sites, we would need to compare them against these criteria. In addition, we do not have current information on the extent of opposition from the communities near these sites.

### CONCLUSION

When it selected the Crown Coach site for the Los Angeles reception center, the Department of Corrections did not use its established procedures for selecting prison sites. The department did not evaluate any other sites for a reception center and did not establish criteria for sites for the reception center it plans to build in Los Angeles County.

## RECOMMENDATION

The Department of Corrections should follow its established procedures when selecting sites for prisons. It should define the project it plans to construct, establish criteria for selecting sites, identify alternative sites, and then evaluate the sites against its established criteria.

## II

HAZARDOUS WASTE CONTAMINATION  
ADJACENT TO THE CROWN COACH SITE IS  
LIKELY TO REDUCE ITS APPRAISED VALUE  
AND MAY DELAY CONSTRUCTION OF THE PRISON

The property adjacent to the Crown Coach site is contaminated with hazardous waste, and, since the Crown Coach site itself was not tested for hazardous waste, the State cannot be assured that the hazardous waste contamination does not extend to the proposed prison site. Although the appraisals of the properties that constitute the site chosen for the Los Angeles reception center appear adequate, the appraisers did not consider the effect on the market value of the property of either the hazardous waste contamination of adjacent property or the potential contamination on the Crown Coach site. Furthermore, Section 25221 of the Health and Safety Code stipulates that certain construction on or within 2,000 feet of a hazardous waste site may not begin until the Department of Health Services (DHS) makes a determination regarding the contamination of the building site or adjacent property. Since the builder must apply for this determination before construction is to begin, the construction of a reception center on the Crown Coach site may be delayed. However, the director of the DHS has stated that it is quite unlikely that his department will make a determination regarding contamination on the building site or on the adjacent property that will cause a delay if a cleanup agreement with the Southern California Gas Company (SCGC) is reached.

The Property Adjacent to the  
Proposed Prison Site Is  
Contaminated With Hazardous Waste

The Crown Coach property, one of the six properties within the Crown Coach prison site that the department is planning to purchase for a reception center, is adjacent to a hazardous waste site known as the Olympic Base site. This site, which borders the Crown Coach company property to the north and is owned by the SCGC, is on the DHS' State Priority Ranking List for cleanup and remedial action because it is contaminated by polynuclear aromatic hydrocarbons (PAHs). These contaminants, which are known to be carcinogenic to animals and are suspected of being carcinogenic to humans, are the by-products of a former oil gasification plant operated by the SCGC. The gasification plant was operated fully between 1907 and 1927, was on emergency standby between 1927 and 1952, and was shut down in 1952. The SCGC property also includes a former landfill area immediately adjacent to the Crown Coach company property. (See Appendix B for a map of the Crown Coach site and the adjacent property.)

The DHS originally estimated that the cleanup of the Olympic Base site would cost \$13.5 million and would be completed by December 1988. The DHS is now estimating that cleanup will be completed in 1989. However, as of November 3, 1986, the department and the SCGC have not signed an agreement detailing the nature of the cleanup.



The Crown Coach Site  
May Be Contaminated

An investigation made by a consultant for the SCGC did not extend beyond the current property boundaries of the SCGC. However, the Office of the Assessor for the County of Los Angeles identified two parcels that are part of the Crown Coach site that the SCGC used to own. The SCGC sold one parcel to the Crown Coach Corporation in 1967 and the other in 1978. According to the environmental affairs manager of the SCGC, a storage facility for products from the gasification plant was located on one parcel of what is now the Crown Coach property. The SCGC dismantled the facility in the 1970s before selling the property to the Crown Coach Corporation in 1978.

According to the environmental affairs manager of the SCGC, there is no reason to believe that the hazardous waste contamination of soil extends beyond the SCGC's current property. However, to determine the approximate boundaries of the waste area, the SCGC consultant used survey maps drawn in 1919 and aerial photographs of the disposal sites taken in 1931 and 1947. Furthermore, the DHS criticized the research methods the SCGC's consultant used to identify the scope of the contamination on the SCGC's current property. According to the DHS, geological structures under the toxic soil indicate that leaking water could have carried contamination southward to the Crown Coach property, which was not investigated by deep boring of the soil. Therefore, the DHS recommends that additional soil borings be made on the Crown Coach property south of the contaminated site.

Because the investigation made by the consultant for the SCGC did not take soil samples on property the SCGC formerly owned, the State cannot be assured that the Crown Coach site is not contaminated by hazardous waste. However, the deputy director of the department's Planning and Construction Division stated that soil samples from the Crown Coach site will be tested. In addition, the DHS has assured the department that the investigation and cleanup of the hazardous waste will extend beyond the current property boundaries of the Olympic Base site.

The Appraised Values of the Crown Coach Site Are Likely To Be Reduced

Section 7267.1 of the Government Code requires that, before state agencies negotiate to purchase real property, the property be appraised. Section 7267.2 requires state agencies to offer no less than the fair market value determined by the approved appraisal of the property.

The Department of General Services conducted or commissioned six appraisals of the properties constituting the Crown Coach site. Three appraisals were made of the Crown Coach property, one of the Atchison, Topeka and Santa Fe property, and two of the four smaller properties included within the proposed prison site. The most current appraisal of the Crown Coach property is dated May 28, 1986, and the most current appraisal of the Atchison, Topeka and Santa Fe property is dated August 22, 1986.

Our independent appraisal consultant evaluated the Department of General Services' most recent appraisals of the six properties constituting the Crown Coach site. He stated that the thoroughness of the research was excellent but that the analyses in the written reports could have been more thorough. Nevertheless, he said that the six estimated appraisal values appeared accurate. We also asked our consultant to evaluate information regarding other properties in the area to determine if this information indicates that the value of the properties constituting the Crown Coach site is accurate. We selected 12 recently sold properties similar in size, shape, location, and use to the Crown Coach properties. We asked our consultant to determine if their sales price and the sales price of 13 other properties previously evaluated by the Department of General Services reflect the current market conditions of the area. Our consultant said that, although these 25 properties are not as comparable to the properties constituting the Crown Coach site as those that the Department of General Services used in its appraisal, the sales prices of these 25 properties do support the appraised value of the Crown Coach properties.

The appraisals of the Crown Coach property, however, do not take into account the hazardous waste contamination on the adjacent property. Our consultant stated that it is not yet standard practice for appraisers to check with state or federal agencies to identify contaminated sites that are either on the property or in the vicinity of the property being appraised. Therefore, it was not an oversight

that the appraisals performed for the Department of General Services on the Crown Coach site did not take hazardous waste contamination into consideration. If an appraiser had known of the contamination, however, according to our consultant, he or she should have disclosed the information in the appraisal report.

Although the Department of General Services' appraisers stated that they did not know of the contamination on the Olympic Base site when they appraised the value of the Crown Coach site in November 1984 and in May 1986, according to the environmental affairs manager of the SCGC, in 1983, the Water Quality Control Board asked the SCGC to investigate the possibility of pollution from its gasification plant. The DHS received a copy of the results of the investigation conducted by the SCGC's consultant and, after reviewing the investigation results, sent a letter dated December 27, 1984, to the SCGC notifying it that the Olympic Base site would be included on the State Priority Ranking List for remedial action or cleanup. The DHS first placed the Olympic Base site on the list published in January 1985.

Our consultant stated that the adjacent hazardous waste site was not considered in the appraisals conducted on the Crown Coach property and that measuring the impact of the hazardous waste site on the value of the Crown Coach site will be difficult. However, he believes that the value will probably be reduced by as much as the estimated cost to correct the problem if hazardous waste is identified on the Crown Coach site plus the cost for holding the property until

the problem is corrected. The effect of the adjacent hazardous waste site on the value of the Crown Coach site is unclear. However, several factors will affect the value: first, the perceived degree of probability that the contamination will be mitigated; second, the perceived time to correct any hazardous aspects; third, the apparent effect of the adjacent contamination upon the usefulness of the Crown Coach site; and fourth, the possibility that the adjacent contamination intrudes upon the Crown Coach site.

According to our consultant, to reappraise the Crown Coach site and take the hazardous waste contamination into consideration, the appraiser needs a study by hazardous waste experts that identifies the type and location of all dangerous contamination, the potential hazards to the property and adjacent properties, the estimated cost and time to mitigate the contamination, the likely methods of mitigation, and any temporary or permanent restrictions on the use of the property resulting from either the contamination or the mitigation of the contamination.

The assistant chief of the Office of Real Estate and Design Services of the Department of General Services stated that, although his office was not aware of the presence of hazardous waste on adjacent property when it made its appraisals, if toxic substances are found on the Crown Coach site, its appraised value would be decreased to reflect the cost of mitigating the contamination. According to the assistant chief, the effect of adjacent contamination on the appraised value of any property depends on the intended use of the property.

### Construction May Be Delayed

The construction of the reception center may be delayed because the Crown Coach site is adjacent to a hazardous waste site. Article 11 of the Health and Safety Code restricts the use of property known to be or suspected of being contaminated by hazardous waste. Section 25221 of the Health and Safety Code stipulates that construction on or within 2,000 feet of a hazardous waste site may not begin until the DHS makes a determination regarding the contamination of the building site or of the adjacent property. Builders must apply for this determination before construction is to begin. Since the Crown Coach property is within ten feet of the hazardous waste site, the department would have to apply for this determination if it purchased the Crown Coach site for a reception center.

According to Section 25221.1 of the Health and Safety Code, the DHS may make one of the following determinations: (1) there is no currently known hazard; (2) the property may be contaminated or may border a contaminated property, and a moratorium on construction or a new use of the land is recommended; (3) additional information is needed to determine whether or not the land is contaminated or borders contaminated property; or (4) the land should be designated a hazardous waste property or border zone property.

The prison may be delayed because the department would need to complete the process required under Article 11 of the Health and Safety

Code. According to an opinion of the Legislative Counsel, if the department purchases the Crown Coach site, it will be required to comply with Section 25221 of the Health and Safety Code. If the director of the DHS determines that the Crown Coach site is contaminated or borders contaminated property, the department will be prohibited from building a prison on the property unless it obtains a variance from the DHS. To obtain the variance, the department must prove that the variance will not create or increase any significant hazard to public health.

According to the director of the DHS, it is quite unlikely that his department will designate the prison site either a hazardous waste property or a border zone property. He states that it is the DHS' current approach to use these designations only when an enforceable agreement containing a firm time schedule for mitigating the contamination does not exist. The director further stated that the DHS is in the process of completing an enforceable agreement with the SCGC to investigate and mitigate the contamination of the property in question. If the director does not designate the prison site as either a hazardous waste property or a border zone property, it is less likely that the construction of the prison will be delayed because the department will not have to obtain a variance.

## CONCLUSION

If the Department of Corrections purchases the Crown Coach site, it will be required to comply with Section 25221 of the Health and Safety Code. The provisions of this statute may delay construction of the prison reception center if the property is found to be contaminated or to border contaminated property. Furthermore, since the current appraisals of the Crown Coach site did not consider the adjacent hazardous waste site, the appraisal values are probably overstated.

## RECOMMENDATIONS

The Department of Corrections should take the following actions:

- Have the soil of the Crown Coach site tested to determine if the site is contaminated by hazardous waste;
- Have a toxic waste expert study the identified contamination on the Crown Coach site and the adjacent property to determine the extent to which the contamination will effect the construction and operation

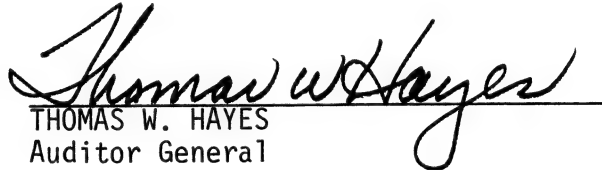


of the prison and to develop the information needed to reappraise the Crown Coach site; and

- Have the Department of General Services reappraise the prison site.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

  
THOMAS W. HAYES  
Auditor General

Date: December 2, 1986

Staff: Kurt R. Sjoberg, Chief Deputy Auditor General  
Steven L. Schutte, Audit Manager  
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Linda W. Lindert  
Jeanne Wexler

THE DEPARTMENT OF CORRECTIONS'  
PROCESS FOR SELECTING SITES FOR PRISONS

The Department of Corrections' (department) New Prison Policy Guidelines provide general requirements for developing new prison projects and for assessing and selecting prison sites. To begin the process of selecting a new prison site, the department determines the general area for the prison. The general area is identified in three ways: (1) the Legislature may specify that a prison is to be built in a specific area to fulfill a policy objective, such as locating prisons in areas of the State where crimes are committed, (2) the department's Government and Community Relations Division may identify potential sites for prisons, or (3) representatives of local communities may contact the department, the Youth and Adult Correctional Agency, or a state legislator to recommend potential sites.

Once the department has identified the general area for the prison, it assesses the area as a location for a prison. An important part of this assessment is the department's contact with representatives of the local community. The department meets with local representatives to explain its requirements for the proposed prison, to ascertain the degree of community interest in the project, and to solicit community cooperation.

Following the contact with the community, the department's staff define the prison to be built in the general area and identify and evaluate potential sites. Department staff define the proposed prison's staffing level, the number and security level of the inmates, the design requirements, and the costs. The department uses this description of the prison to identify the specific sites it will assess to determine if they are technically feasible and prepares reports to comply with the California Environmental Quality Act.\*

To assess potential prison sites, the department generally uses established technical criteria. These criteria include adequate size and shape of the land; appropriate zoning laws; access to utilities; available transportation; and proximity to emergency facilities. During this phase of the process of selecting a site, the department also considers the concerns of the community regarding the

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\*The Legislature has waived the requirement for an Environmental Impact Report for some prison sites. For these properties, the Legislature has authorized the department to prepare Environmental Assessment Studies, which do not evaluate alternatives to the project.

prison's design, its security level, and its location. The department prefers to select sites that best meet both its technical criteria and the community's concerns.

In evaluating potential prison sites, the department also compares the estimated costs to buy the land, to prepare the site, and to bring in utilities. The department receives an estimate of land value from the Office of Real Estate and Design Services of the Department of General Services. Through on-site inspections and through consultation with local water districts, local utility companies, and city planning staff, the department's consultant, Kitchell CEM, develops preliminary estimates of costs for preparing sites and for providing utilities.

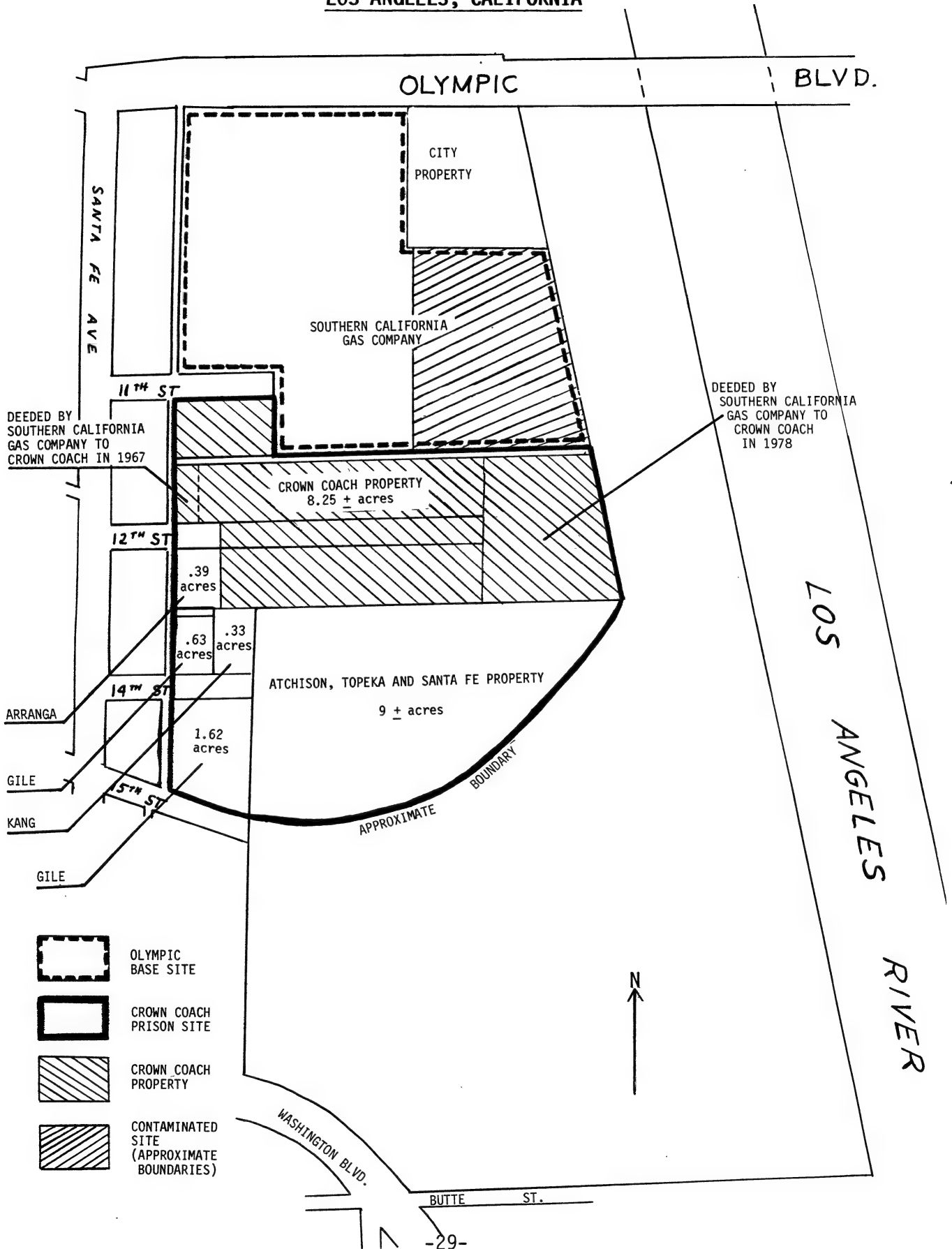
Once the department has selected the site and legislation is enacted that appropriates funds for purchasing the site, the department contacts the Department of General Services, which is responsible for acquiring real property for state agencies. The Office of Real Estate and Design Services provides expertise to state agencies, such as the Department of Corrections, in selecting the best site available. The office either appraises property itself or has a contractor appraise the property. Before the Department of General Services can begin negotiating to purchase the property, it must obtain the approval of the state Public Works Board, which is responsible for approving plans, allocating funds, and determining the timing of the major construction projects of all agencies.

Once it receives the appraisals, the Department of General Services uses the approved appraisal value to negotiate with property owners. As the law requires, the State provides relocation services to owners and tenants to ensure they receive advice on relocating and funds to do so. Section 15862 of the Government Code gives the Department of General Services the authority to acquire and hold property until it is needed for its intended use. Section 7267.2 of the Government Code requires that the State offer no less than the fair market value determined by the approved appraisal of the property.

The State is also empowered to acquire property for public use through the exercise of eminent domain. The State may exercise this power only if all of the following conditions are established: the public interest and necessity require the project; the project is planned or located in a manner that will be most compatible with the greatest public good and the least private injury; and the property sought is necessary for the project. If the State exercises its power of eminent domain, it must institute formal condemnation proceedings.

After the State's offer has been accepted by the property owners, the Public Works Board must approve the transaction.

MAP OF THE CROWN COACH PRISON  
SITE AND ADJACENT PROPERTIES  
LOS ANGELES, CALIFORNIA



**APPENDIX C**

**ESTIMATED COSTS FOR SEVEN PRISON SITES  
SELECTED BY THE DEPARTMENT OF CORRECTIONS**

<u>County/Site</u>	<u>Acres</u>	<u>Costs</u>				<u>Total</u>
		<u>Land Acquisition</u>	<u>Acquisition Cost Per Acre</u>	<u>Site Preparation*</u>	<u>Infrastructure**</u>	
Amador/Ione	830	\$ 1,500,000	\$ 1,807	\$1,583,175	\$17,359,250	\$20,442,525
Del Norte	430	***	***	***	***	***
Kings/Avenal	660	\$ 2,300,000	\$ 3,484	\$2,558,567	\$17,247,063	\$22,105,630
Kings/Corcoran	960	\$ 5,000,000	\$ 5,208	\$7,155,463	\$29,915,270	\$42,070,733
Los Angeles/ Crown Coach	20	\$15,000,000	\$750,000	\$3,500,000	***	\$18,500,000
Riverside/ Blythe	1,720	\$ 1,204,000	\$ 700	\$2,342,340	\$18,938,205	\$22,484,545
San Bernardino/ Adelanto	288	\$ 532,000	\$ 1,496	***	***	\$ 532,000

\*Includes site grading, water drainage systems, site clearing, and soil treatment.

\*\*Includes site utilities such as offsite roads, water, and sewage systems.

\*\*\*Cost estimates not available.

Source: Department of Corrections' data. We did not audit these figures.

**CHRONOLOGY OF EVENTS LEADING TO THE  
DEPARTMENT OF CORRECTIONS' SELECTION OF  
THE CROWN COACH PRISON SITE IN LOS ANGELES COUNTY**

<u>Date</u>	<u>Event</u>
January 1982 and April 1982	The Department of Corrections' (department) 1982 Facilities Master Plan and the Prison Master Plan propose two 1,500-bed, Level III prisons to be built in southern California. Both plans stipulate that, if the prisons produce a surplus of Level III beds, the department will use the surplus to alleviate overcrowding in the reception centers.
June 30, 1982	Chapter 326, Statutes of 1982, appropriates funds to acquire land and to begin studies for medium security prisons at unspecified southern California sites.
September 30, 1982	Chapter 1549, Statutes of 1982, authorizes the department to construct a medium security, work-based prison in Los Angeles County and requires that the department select a site in Los Angeles before occupying a women's facility in northern California.
September 30, 1982	Chapter 1548, Statutes of 1982, requires the department to designate and approve a site in Los Angeles County before it opens the prison at Adelanto.
October 7, 1982	The department meets with Los Angeles County County-Wide Criminal Justice Coordination Committee (CCJCC) regarding selecting a site for the Los Angeles prison.
January 20, 1983	The department provides the CCJCC with criteria for selecting prison sites and requests recommendations on sites in Los Angeles County.
February 1983	The department's 1983 Facilities Master Plan proposes construction of three 500-bed, Level III prisons and a 200-bed, Level I support services facility for the prison in Los Angeles County.

Date	Event
May 10, 1983	The CCJCC recommends five sites to the Los Angeles County Board of Supervisors.
June 30, 1983	The department's 1983 Facilities Master Plan still proposes construction of three 500-bed, medium security facilities and of a 200-bed, minimum security facility for a prison in Los Angeles County.
July 1983 - October 1984	The department identifies and investigates sites throughout Los Angeles County. The department's activities include "driving throughout the County, helicopter flights over the County, visits to over 70 sites, reviews of private citizens' recommendations, and searches for suitable land through governmental agencies and local realtors."
July 5, 1983	The Los Angeles County Board of Supervisors submits the five recommended sites to the department.
July 21, 1983	Chapter 324, Statutes of 1983, requires that funds appropriated for a prison site in Los Angeles County be spent for planning a new medium security prison that is modeled after the proposed San Diego prison, a 1,500-bed, Level III prison with 200-bed support facility.
August 2, 1983	The Los Angeles County Board of Supervisors appoints a Citizens' State Prison Site Advisory Group (Citizens' Advisory Group) to assist the board in selecting a prison site in Los Angeles County.
August 31, 1983	The department's consulting firm evaluates the five sites recommended by the Los Angeles County Board of Supervisors.
September 20, 1983	Chapter 958, Statutes of 1983, prohibits the department from occupying the state prison in San Diego County until the Los Angeles County site is selected and approved.
November 29, 1983	The department submits the top 21 sites (4 each from Supervisorial Districts 1 through 4 and 5 from Supervisorial District 5) to the Citizens' Advisory Group.

Date	Event
December 6, 1983	The department announces the selection of 64 sites: the top 10 sites in order of desirability; the next 11 feasible but less desirable sites; and 43 sites that are either other less desirable sites or previously eliminated sites.
December 29, 1983	The department drops the top-ranked site, Vignes, because the Southern California Rapid Transit District has a grant for that site.
January 11, 1984	The department drops the Cal Poly and Fairway sites in southeast Los Angeles County and ceases considering any sites in southeast Los Angeles County because there are other state prisons in that area.
January 18, 1984	The Youth and Adult Correctional Agency directs the department to seek urban as well as suburban and rural sites for the prison in Los Angeles County.
January 20, 1984	The department meets with Goodyear officials regarding the purchase of the Goodyear site.
February 7, 1984	The foreman of the Los Angeles County Grand Jury contacts the department regarding using the Los Angeles County jail site in downtown Los Angeles for a state prison.
February 10, 1984	The department drops the Goodyear site because the United States Post Office Board of Governors exercises its option to buy the site.
February 15, 1984	The department selects the Sierra Highway site in the Lancaster area and lists 12 other acceptable sites if the Sierra Highway site "becomes untenable." The department initiates contacts for an Environmental Impact Report (EIR).
February 22, 1984	The CCJCC disbands the Citizens' Advisory Group because the department has selected the Sierra Highway site for the Los Angeles prison. The department meets with local officials and citizens near the Sierra Highway site.
February 28, 1984	The United States Air Force notifies the department by letter that there is excessive noise from aircraft at the Sierra Highway site and that the national defense could be compromised if a prison is located there.



Date	Event
February 29, 1984	The secretary of the Youth and Adult Correctional Agency sends a letter to the member of the Los Angeles County Board of Supervisors who represents Los Angeles' Fifth District (supervisor) regarding the selection of the Sierra Highway site, which is in this supervisor's district, and discusses the possibility of constructing a reception center on the site now occupied by the Los Angeles County jail.
March 12, 1984	At the request of the department, the department's consulting firm evaluates the possible uses of small acreage parcels for a "high rise" type of prison.
March 30, 1984	The department receives the results of the noise study of the Sierra Highway site and drops this site in April 1984.
April 6, 1984	<p>The supervisor writes the secretary of the Youth and Adult Correctional Agency regarding a prison in downtown Los Angeles on surplus state property at First Street and Broadway or at Third and Spring streets.</p> <p>The department and its consulting firm release their analysis comparing reception centers and prisons that could be built on small parcels (the 1.9 acre site and a 3.3 acre site located downtown) and a prison built on the Sierra Highway site.</p>
April 10, 1984	The deputy secretary of the Youth and Adult Correctional Agency discusses the supervisor's proposal for a high-rise prison in downtown Los Angeles. In addition, the deputy secretary discusses the Crown Coach property, which he states was referred as a possible site by the supervisor.
April 24, 1984	The secretary of the Youth and Adult Correctional Agency designates the deputy secretary of the Youth and Adult Correctional Agency responsible for the policies and procedures related to selecting a site for the prison in Los Angeles County.

Date	Event
April 25, 1984	The department's five-year Facilities Plan (1984-1989) still proposes construction of three 500-bed, medium security facilities and a 200-bed, minimum security facility for Los Angeles County. The plan also discusses a need for a reception center in southern California.
May 8, 1984	The secretary of the Youth and Adult Correctional Agency sends a letter to the supervisor stating that, if the Crown Coach property is too small for a "fully-programmed" prison, the department might consider the Crown Coach property for a 700-bed reception center.
May 10, 1984	The supervisor sends a letter to the secretary of the Youth and Adult Correctional Agency suggesting that the department use the previously identified downtown sites for a reception center and the Crown Coach property for a fully programmed prison.
May 17, 1984	<p>The secretary of the Youth and Adult Correctional Agency sends a letter to the supervisor stating that the Crown Coach property is not a feasible site for a fully programmed prison but that it may be suitable for a reception center.</p> <p>The Department of General Services sends a memo to the department regarding property ownership and the property owners' willingness to sell the properties adjacent to the Crown Coach property.</p>
June 12, 1984	The supervisor sends a letter to the secretary of the Youth and Adult Correctional Agency concurring with the secretary's decision to locate the Los Angeles County prison in an urban area on reduced acreage.
August 3, 1984	The Department of General Services appraises the Rancho Valle Escondido (Agua Dulce) site, which the department, on December 6, 1983, identified as one of the top ten sites.

Date	Event
September 7, 1984	In a press release and a press conference, the department identifies the Crown Coach site as a potential site for a reception center and identifies the Bethlehem Steel, Ameron Pipe, Agua Dulce, and various Lancaster sites as potential sites for the medium security prison in Los Angeles County.
September 1984 - October 1984	The department meets with the representatives of the communities of Maywood, Lancaster, Palmdale, Vernon, Bell, and Agua Dulce to discuss a prison at either the Bethlehem Steel or Agua Dulce sites.
October 3, 1984	The department sends a memo to the Department of General Services requesting a full appraisal of the Crown Coach property and estimates only on the market value of the Ameron and Bethlehem Steel sites.
October 22, 1984	The Youth and Adult Correctional Agency issues a press release announcing the following community meetings to discuss the sites identified in the September 7, 1984, press release: November 1, 1984, a meeting at the Crown Coach site for a 1,000-bed reception center; November 13, 1984, a meeting at Acton for a fully programmed prison for the Agua Dulce site; other meetings for the Lancaster, Ameron, and Bethlehem Steel sites to be announced later.
November 1, 1984	The Youth and Adult Correctional Agency and the department hold a public meeting at the Crown Coach site. Public attendance consisted of only five property owners, three people from Lancaster, one press person, and a staff person representing a member of the State Assembly.
November 13, 1984	The Youth and Adult Correctional Agency and the department hold a public meeting at Acton on the Agua Dulce site. The meeting was attended by approximately 250 individuals, many of whom expressed opposition to the site.
January 23, 1985	The undersecretary for the Youth and Adult Correctional Agency sends a memo to the director of the department requesting the initiation of an EIR on the Crown Coach site for a reception center.

<u>Date</u>	<u>Event</u>
February 8, 1985	The department advertises in the California State Contracts Register for a consultant to do an EIR for a medium security prison in Los Angeles County.
February 1985	The department selects Crown Coach as the site for the Los Angeles prison reception center.
March 6, 1985	Senate Bill 904 is introduced to allow the department some discretion in determining what it will build on the Crown Coach site.
March 5, 1985 and April 8, 1985	The department requests that the Department of General Services do additional work on the ownership of properties located adjacent to the Crown Coach site.
April 12, 1985	The department's project coordinator sends a memo to the department's deputy director for planning and construction recognizing Crown Coach as the Los Angeles County site.
April 17, 1985	The department's assistant deputy director of the Planning and Construction Division directs the project coordinator to stop the EIR process until Senate Bill 904 is passed.
	The department's five-year Facilities Master Plan (1985-1990) still proposes the construction of three 500-bed, medium security facilities and one 200-bed, minimum security facility for the Los Angeles County prison.
May 15, 1985	The department's consulting firm releases a study on a combination 1,000-bed reception center and 700-bed, Level III prison on the Crown Coach site.
June 7, 1985	The department's deputy director for planning and construction sends a memo to the undersecretary of the Youth and Adult Correctional Agency regarding the appraisal of the Crown Coach site and the preliminary negotiations with owners of the properties.
September 5, 1985	The undersecretary of the Youth and Adult Correctional Agency sends a memo to the chief of staff of the Governor's Office outlining reasons for selecting the Crown Coach site and for rejecting all other sites.

Date	Event
May 27, 1986	<p>The department's five-year Facilities Master Plan states that the department planned for a 1,500-bed, medium security prison with a 200-bed, minimum security facility attached for the prison in Los Angeles County. However, with the Legislature's approval, the department could allocate 1,000 beds to the reception center, 500 beds to Level III, and 200 beds to Level I.</p>

APPENDIX E

**CHRONOLOGY OF THE CROWN COACH CORPORATION  
AND ITS ACQUISITION OF LAND**

<u>Date</u>	<u>Event</u>
November 25, 1921	The Articles of Incorporation of the Crown Motor Carriage Company are filed with the Secretary of State's Office.
November 25, 1930	An amendment to the Articles of Incorporation is filed with the Secretary of State's Office changing the name of the corporation to Crown Body Corporation, Ltd.
September 21, 1938	An amendment to the Articles of Incorporation is filed with the Secretary of State's Office changing the name of the corporation to Crown Body and Coach Corp.
December 7, 1945	Alfred E. Fraser deeds one parcel to Crown Coach Corp.
September 11, 1951	The City of Los Angeles deeds two parcels to Crown Body and Coach Corporation.
January 18, 1954	Independent Paper Company deeds two parcels to Crown Body and Coach Corp.
July 6, 1955	A Certificate of Amendment of Articles of Incorporation is filed with the Secretary of State's Office changing the name of the company to the Crown Coach Corporation.
November 1, 1961	Bar Lee Properties deeds one parcel to the Crown Coach Corporation.
October 5, 1967	The Southern California Gas Company deeds one parcel to the Crown Coach Corporation.
March 11, 1977	Manufacturers Bank deeds one parcel and a portion of another to the Crown Coach Corporation.
October 14, 1977	The Articles of Incorporation of the Seven Corporation are filed with the Secretary of State's Office. The articles are signed by Jack L. Courtemanche.

Date	Event
October 17, 1977	R. J. Nathan, Inc., files Articles of Incorporation with the Secretary of State's Office. A Statement by Domestic Stock Corporation is filed on November 15, 1984, naming the corporate officers as Richard J. Nathan as chief executive officer, secretary, and chief financial officer.
December 4, 1978	The Southern California Gas Company deeds one parcel to the Crown Coach Corporation.
August 11, 1983	Agreement of Merger between the Seven Corporation and REL Acquisition, Inc., are filed with the Secretary of State's Office. The agreement was signed by Llewellyn C. Werner and Errol M. Stone, president and secretary, respectively, of both corporations. The Articles of Incorporation of the Seven Corporation, the surviving corporation in the merger, are amended to change the name of the Seven Corporation to Crown Coach International. The Crown Coach International Statement by Domestic Stock Corporation, filed with the Secretary of State's Office on March 9, 1984, names Richard J. Nathan as the chief executive officer, Errol M. Stone as the secretary, and Llewellyn C. Werner as the chief financial officer.
July 24, 1984	The Crown Coach Corporation deeds seven parcels and part of another to Sunset Plaza Enterprises, Ltd., and to Nathan Stark. The grant deed is signed for the Crown Coach Corporation by Llewellyn C. Werner, president, and Michael B. Allderdice, assistant secretary.
July 25, 1984	Sunset Plaza Enterprises, Ltd., and Nathan and Linda Stark deed seven parcels and part of another to Richard Nathan. The parcels are those previously deeded to both parties by Crown Coach Corporation on July 24, 1984, and consist of lands on which the Crown Coach industrial facility is located. Signing for Gold Development Co., Inc., a general partner in the Sunset Plaza Enterprises, Ltd., partnership is Steven H. Gold.

Date	Event
September 20, 1984	An Agreement of Merger between the Crown Coach Corporation and the Crown Coach International is filed with the Secretary of State's Office. The agreement notes that the Crown Coach Corporation is the surviving corporation and that the Crown Coach International ceases to exist. Signing the document for the Crown Coach Corporation were Llewellyn C. Werner and Errol M. Stone, president and secretary, respectively, of the corporation. Signing for the Crown Coach International were Llewellyn C. Werner, president, and Errol M. Stone, secretary.
November 21, 1984	The Department of General Services appraises the property on which the Crown Coach industrial plant is located.
March 1, 1985	Under contract to the Department of General Services, the Coldwell Banker Real Estate Appraisal Services appraises the property on which the Crown Coach industrial plant is located.
May 2, 1985	A Certificate of Amendment of the Articles of Incorporation is filed with the Secretary of State's Office, changing the name of Crown Coach International to Constellation Real Estate, Inc. Signing for the corporation were Stephen Jeckovich, president, and Errol M. Stone, secretary.
May 3, 1985	A Certificate of Amendment of the Articles of Incorporation is filed with the Secretary of State's Office changing the name of the corporation to Horseshoe Real Estate, Inc. Stephen Jeckovich, president, and Errol M. Stone, secretary, signed for the corporation. A Statement By Domestic Stock Corporation filed with the Secretary of State's Office for Horseshoe Real Estate, Inc., on October 9, 1985, names Llewellyn C. Werner, Errol M. Stone, Richard J. Nathan, and Murray W. Goldenberg as directors.
July 12, 1985	The Department of General Services appraises four small parcels located within the proposed prison site. These parcels, identified by the names of the owners, are Arranaga, Kang, and Gile. Mr. Gile owns two of the four parcels.



<u>Date</u>	<u>Event</u>
May 28, 1986	The Department of General Services updates the appraisal by Coldwell Banker Real Estate Appraisal Services of the property on which the Crown Coach industrial plant is located.
June 6, 1986	A Certificate of Amendment of the Articles of Incorporation is filed with the Secretary of State's Office changing the name from Horseshoe Real Estate, Inc., to Crown Coach International. Signing for Crown Coach International were Llewellyn C. Werner, chairman, and Michael B. Allderdice, assistant secretary.
August 14, 1986	The Department of General Services updates appraisals of the four small parcels (Arranaga, Kang, Gile, and Gile) within the proposed prison site.
August 22, 1986	The Department of General Services appraises three parcels within the proposed prison site owned by the Atchison, Topeka and Santa Fe Railway and the Santa Fe Land Improvement Company.



## State and Consumer Services Agency

OFFICE OF THE SECRETARY  
915 Capitol Mall, Suite 200  
Sacramento, CA 95814

November 26, 1986

Mr. Thomas W. Hayes  
Auditor General  
Office of the Auditor General  
660 "J" Street, Suite 300  
Sacramento, CA 95814

Dear Mr. Hayes:

Thank you for affording us the opportunity to review the draft copy of your report entitled A REVIEW OF THE DEPARTMENT OF CORRECTIONS' SELECTION OF A PRISON SITE IN LOS ANGELES COUNTY.

We were naturally pleased that the valuation consultant, commissioned by your staff, found our appraised values of the Crown Coach site to be accurate and properly supported by market data.

Regarding the potential hazardous waste issue, we concur that our appraisers did not consider the effect on market value of potential toxics on the Crown Coach site, or the known contamination of adjacent property. In the normal course of the site selection process, soil tests would be made prior to site selection by the Public Works Board. These soil tests would reveal the existence of toxic wastes, if any. If toxics were found, the cost of mitigation would be estimated and considered in the valuation of the property.

Issues raised in the draft report, pertaining to the Department of Correction's site selection policies, are appropriately addressed by them.

Again, I thank you for this opportunity to comment on your report. If you need further information or assistance on this issue, you may wish to have your staff contact W. J. Anthony, Director, Department of General Services at 445-3441 or Paul V. Savona, Chief, Office of Real Estate and Design Services at 445-3509.

Sincerely,

A handwritten signature in dark ink, appearing to read "John Grow".

JOHN GROW  
Undersecretary

JG:bjm

DEPARTMENTS AND PROGRAMS OF THE AGENCY

Building Standards Commission • Consumer Affairs • Fair Employment & Housing • Fire Marshal  
Franchise Tax Board • General Services • Museum of Science & Industry • Personnel Board  
Public Employees' Retirement System • Teachers' Retirement System • Veterans Affairs

# Memorandum

Date : November 26, 1986

Telephone: ATSS (     )  
(     )

To : Mr. Thomas W. Hayes, Auditor General  
Office of the Auditor General  
660 J Street, Suite 300  
Sacramento, CA 95814

From : **Youth and Adult Correctional Agency**  
**Office of the Secretary**

Subject: RESPONSE TO DRAFT REPORT ON LOS ANGELES PRISON SITE SELECTION PROCESS

Thank you for the opportunity to comment on your draft report entitled, "A Review of the Department of Corrections' Selection of a Prison Site in Los Angeles County." We are pleased that the information presented documents that our search for a prison site in Los Angeles County was both thorough and objective. However, we disagree with your conclusions which in our judgment fail to take into consideration the complex realities of prison siting, particularly at a time when overcrowding constitutes a serious potential threat to public safety. Specifically, it is our opinion that:

- I. The Department of Correction (CDC) followed its established procedures in selecting the Crown Coach site. A change in the project description did not necessitate that the selection process begin anew.
- II. Our discussions with the Department of Health Services (DHS) indicate that it is "most unlikely" that the Crown Coach property will be designated a "border zone property". Thus, the problem on the Southern California Gas Company (SCGC) property will not delay or materially affect the proposed prison site.

The following comments are presented to address the two major conclusions of the report:

## Auditor General's Conclusion I

WE DISAGREE WITH THE AUDITOR GENERAL'S FINDING THAT THE DEPARTMENT OF CORRECTIONS DID NOT FOLLOW ITS ESTABLISHED PROCEDURES IN SELECTING THE CROWN COACH SITE AS THE SITE FOR THE STATE PRISON IN LOS ANGELES COUNTY. THE PROCEDURES FOLLOWED IN SITING THE PRISON IN LOS ANGELES COUNTY PARALLEL THE PROCESSES USED IN SUCCESSFULLY SITING THE FIVE PRISONS IN AMADOR, DEL NORTE, KINGS (TWO PRISONS) AND RIVERSIDE COUNTIES.

①\*

\*The Auditor General's comments on specific points contained in the Youth and Adult Correctional Agency's response begin on page 55.

The basis for the Auditor General's finding is that the Department did not establish new site criteria and evaluate sites against the new criteria when the Los Angeles prison project definition changed during the site selection process. However, the Department's established procedures do not require the development of new criteria each time the project definition changes during the site selection process. The same process was followed in Los Angeles County when the project definition changed, as was followed when similar changes were made in the projects in Amador, Del Norte, Kings and Riverside Counties. This is because, although a change in the project definition (i.e., type, size, or inmate custody level) may alter a criterion or the relative importance of a given criterion, the overall criteria will remain essentially the same. In four of the comparison sites, the definition of the prison changed both in size and security level well into the site selection process. These changes increased the amount of acreage required to accommodate additional housing units and additional work program space. However, the remaining criteria remained essentially the same.

Similarly, in Los Angeles County, the project changed in type from a 1,700-bed Level III work-based prison to a 1,700-bed combination reception center/Level III work-based prison. Because less work program space is needed for reception center beds, this change reduced the amount of acreage required for this facility. Because it is of greater importance that a reception center be located close to services, courts, and jails, this change also increased the need to locate the prison in an urban area. Again, the remaining prison site criteria remained essentially the same.

While the Auditor General's description of the site selection process is basically accurate, it does not capture the complexity and dynamics of prison siting. The rapidly growing and changing State inmate population requires a siting process that is able to respond to changing inmate housing needs. A siting process which requires the Department to reestablish site criteria, and reinitiate the site search and evaluation process each time the housing needs change, would not be cost effective or practical. Further, the suggested process would unnecessarily extend the length of time needed to site prisons. The CDC process and procedures need to be considered against the immense pressure to produce new facilities in order to keep pace with the surging increase in population. The CDC population is currently at 175 percent of design capacity. The Auditor General's suggested siting process clearly would not serve the public interest in meeting the urgent need for new prisons.

Auditor General's Conclusion II

WE DISAGREE WITH THE AUDITOR GENERAL'S CONCLUSION THAT HAZARDOUS WASTE CONTAMINATION IS LIKELY TO REDUCE THE APPRAISED VALUE OF THE SITE AND DELAY CONSTRUCTION OF THE PRISON. IN FACT, IT IS EXTREMELY UNLIKELY THAT THERE WILL BE ANY INCREASED COSTS OR DELAYS AS A RESULT OF THE CONTAMINATION ON THE ADJACENT SCGC PROPERTY. This conclusion is based on the following information provided by DHS: ②

- ° Based on current information regarding the extent of the problem, there is no reason to believe that the waste materials extend beyond SCGC's current site to the Crown Coach property.
- ° SCGC and DHS are finalizing an enforceable agreement under which SCGC will be responsible for investigating and mitigating at the subject site without respect to property boundaries. If SCGC's investigation determines that the problem extends to the Crown Coach property, SCGC rather than the Crown Coach property owner will be responsible for the cost of clean up and there will be no effect on the appraised value of the property.
- ° The restriction on building prescribed in Section 25221 of the Health and Safety Code (H&SC) would apply only if DHS designates the Crown Coach property as a "border zone property". DHS indicates they only make use of the designation of "border zone property" when they do not have a firm schedule for site mitigation. Since they are finalizing an enforceable agreement with SCGC, DHS would not make such a determination and the Department would not be subject to the lengthy permitting process prescribed in H&SC Section 25221. In the unlikely event hazardous waste is found on the Crown Coach site, SCGC's clean up would take place concurrently with the Department's preparation of the Environmental Impact Report and design of the facility. Therefore, we foresee no delay in the construction of the prison.

In addition to the above comments, we are attaching more technical, yet still important, comments and clarifications regarding the facts used to support the conclusions.

Again, thank you for the opportunity to comment. If you would like to discuss our comments please contact Rodney J. Blonien, Undersecretary, at 3-6115.

  
N. A. CHADERJIAN  
Agency Secretary

Attachment

ADDITIONAL TECHNICAL COMMENTS ON THE AUDITOR  
GENERAL'S REPORT ON THE LOS ANGELES  
PRISON SITE SELECTION PROCESS

INTRODUCTION

Page 1, Paragraph 1: The State's inmate population has exceeded 55,000 since August 1986. It is recommended that the most current information regarding the number of inmates be used in the final audit. As of November 16, 1986, the inmate population was 58,573 which represents an increase of over 3,000 inmates in three months.

Page 2, Paragraph 1: Work-based prison should be included in the description of the different types of facilities. The type of facility refers to the prison function as work-based, reception center or medical. Level's I through IV refers to the custody level of the inmates to be housed within the institution. It should also be explained that institutions may serve more than one function and house different levels of inmates. For example, the California Medical Facility at Vacaville is a combination reception center, medical prison and Level III work-based prison. The California Institution for Men at Chino is a combined reception center, Level I through IV work-based prison. (\*)

AUDIT RESULTS I

Page 8, Paragraph 1: The description of the site selection implies that the specified steps follow a prescribed sequence in all cases. The State's generic site criteria for a 1,700-bed Level III prison was developed for all new prison projects. Project definition may occur both before and after sites are selected and the project may be redefined at any point in the process.

Page 9, Paragraph 1: This paragraph states that the Department identified over 100 potential sites, eliminated 36, considered 64, and evaluated at least 21 of the 100 originally identified sites against its site criteria. This is not accurate. (3) The Department investigated and evaluated all sites against the State site criteria. For certain sites more extensive documentation was prepared. The Department documented site visits with photographs, maps and notes for the majority of the sites. The Department initially completed technical preliminary site evaluation documents for 21 sites. Later in the process, evaluations were completed for 20 new sites. A total of 41 technical preliminary site evaluation documents were completed.

Page 9: Information concerning the Vignes site has been omitted from the description of the Los Angeles site selection process. The Vignes site is located in downtown Los Angeles and was announced as the site for the Los Angeles prison on December 15, 1983. This site was dropped later the same month when the Department decided to defer to the Los Angeles Regional Transit District which had already invested a significant amount of money to develop the site. (4)

\*Text changed to reflect the Agency's comments

Page 10: The description of the events that led to the selection of the Crown Coach site is inaccurate. The 8-acre Crown Coach site was initially rejected for a 1,700-bed Level III work-based prison because it was too small. Because of the increase in the need for reception center beds, it was considered for a 700-bed reception center. In 1984, the Department announced four sites for the proposed Level III prison and the Crown Coach site as a 700-bed reception center. Following this announcement, the need for additional reception center beds became increasingly more critical. The project then changed from a 1,700-bed Level III to a 1,700-bed combination reception center/Level III. Because the Department had already identified the Crown Coach site as a potential reception center, the Department re-examined this site. The Department found that by including properties adjacent to the site, there would be sufficient acreage for a 1,700-bed combination reception center/Level III prison. (5)

The Department also re-examined the four sites previously announced. Although none of these sites were formally rejected, they were found to be less suited for this type of facility. The Rancho Valle Escondido site in Agua Dulce and the Lancaster sites were considered too remote from services, courts, and jails. The Bethlehem Steel site was being subdivided and developed into an industrial park and is directly across the street from residences. The Ameron Plant site was an operating plant and the owners later decided that the property was not available for sale. Additionally, there was strong opposition from all levels in the community for each of the sites. (6)

In contrast, the Crown Coach site (with the adjacent parcels) is close to services, courts, and jails; is more than a mile from residences; is well-buffered from community; has willing sellers; and had no opposition. Because of these advantages over the other sites, the Department selected the Crown Coach site as the site for the State prison in Los Angeles County.

Page 11, Table I:

- a) The heading, "How Site Was Identified" is too specific for the information provided in that column. It is suggested that the heading read "How General Area Was Identified". (\*)
- b) The heading, "Number of Sites Evaluated" is unclear. It is suggested that a footnote be added explaining that this means a technical preliminary site evaluation document was completed for these sites. (\*)
- c) Table I incorrectly represents the Los Angeles project as having two separate projects - one for a 1,700-bed Level III prison and one for a 1,700-bed combination reception center/Level III prison. There is only one project authorized for Los Angeles County. Current law designates the prison as a 1,700-bed medium security work-based prison. Proposed legislation would allow the Department to designate it as a 1,700 bed work-based prison or reception center or combination of these. The

\*Text changed to reflect the Agency's comments

"Prison Bed/Security Level" changed during the siting process for Amador, Del Norte, Kings/Corcoran and Riverside Counties. For two of these, Amador and Riverside, law changes were required to redefine the project. However, for all of these only one project was authorized and one site selection process followed. Therefore, the table should show one Los Angeles project and should read: ⑦

<u>County/Site</u>	<u>Prison Beds/ Security Level</u>	<u>How General Area Was Identified</u>	<u>Number of Sites Evaluated</u>	<u>Opposition from Community</u>	<u>Environmental Impact Report Required *</u>	<u>Environmental Study completed Before Purchase</u>
Los Angeles	1000/Reception 500/III 200/I	Legislation	41	NO	EIR	N/A

- d) The footnote to this table is misleading. It states, "For three prison projects listed above, the Legislature has authorized the Department to prepare Environmental Assessment Studies (EAS), which do not evaluate alternatives to the project." Emphasis added. This statement implies that the primary difference between an Environmental Impact Report (EIR) and an EAS is that an EAS does not evaluate alternative sites. This is not true. The primary difference between a EIR and an EAS is that an EIR is bound by the requirements of the California Environmental Quality Act (CEQA), an EAS is not. Consideration of alternative sites is only one of many CEQA requirements that do not apply in an EAS.

Page 13, Paragraph 1: The Auditor General has identified three sites that "could have been considered" for the Los Angeles prison. These sites should have been identified in the audit so that the Department could comment on why they were not selected. ⑧

## AUDIT RESULTS II

Page 15 through 24: As stated in our response to Conclusion II, the presentation of the hazardous waste issue omits important facts about SGGC's responsibility for investigating and financing the clean-up of any hazardous waste that may extend beyond their property boundaries. ⑨

## APPENDIX A

Page 27, Paragraph 1: Although the overall description of the site selection process is accurate, it does not capture the dynamics of the process. As noted under item 3 above, certain steps in the process do not necessarily follow a prescribed sequence. The project definition may occur more than once and at different points in the process. Additionally, site identification, evaluation and selection may occur several times throughout the process as sites initially thought to be acceptable are later proved infeasible.



Page 27, Paragraph 3: The reference to the EIR is misleading because it implies that the EIR occurs prior to assessing the sites and obtaining cost information.

Page 28: The environmental review process (i.e., EIR/EAS) has been omitted from the site selection process. This is a significant and lengthy step in the site selection process and should be included in this section.

#### APPENDIX C

Page 31: The footnote to this table states that the cost information is from the Department of Corrections data. However, using the same cost data and the same definitions for each of the column headings, the Department has developed a REVISED APPENDIX C. (Please see next page.) Every effort has been made to ensure that the costs included in each column are comparable for each project.

#### APPENDIX D

Page 35: The Department announced the Vignes site as the number one site on December 15, 1983. (10)

Page 39, February 1985: This entry is inaccurate. It should read, "The Department selects Crown Coach site as the site for the Los Angeles combination reception center/Level III prison." (11)

Page 39, April 17, 1985: The referenced memo stopping the EIR process until SB 904 is passed was from the Deputy Director to the Project Coordinator. (\*)

## Estimated Costs for Prison Sites

<u>County/Site</u>	<u>Level/#Beds</u>	<u>Acres</u>	<u>Land (1) Acquisition</u>	<u>Acq. Cost Per Acre</u>	<u>Site (2) Preparation</u>	<u>Off Site (3) Infrastructure</u>	<u>Total</u>
Amador/Ione (4)	III/1,700	830	1,500,000	1,807	2,609,709	19,283,250	23,392,959
Kings/Avenal (4)	II/3,034	660	2,300,000	3,484	12,007,204	17,040,508	31,347,712
Kings/Corcoran (4)	III/IV/2,900	960	5,000,000	5,208	5,818,599	26,274,748	37,093,347
San Bernardino/delanto (5)	IV/1,150	286	532,000	1,496	N/A	N/A	N/A
Riverside/Blythe (6)	II/2,000	1720	1,204,000	700	2,459,457	15,525,300	19,188,757
Los Angeles/Crown Coach (7)	III/1,700	20	14,200,000	710,000	3,500,000	1,000,000	18,700,000

Footnotes

1. Land Acquisition includes cost of the site, additional property needed for rights of entry, easements or other purposes associated with the project and the fees charged by the Department of General Services for work associated with acquisition.
2. Site Preparation includes costs for clearing, grubbing, dewatering, storm drainage, deep compaction cut and fill, demolition and the portion of costs for building pads due to site preparation requirements.
3. Off-site infrastructure includes costs for wastewater treatment and disposal, water treatment, wells, and supply lines, access roads, road improvements, on-site co-generation, cost of bringing telephone, gas and electric service to the site.
4. The Ione, Avenal and Corcoran project costs are based on preliminary plans, design documents and actual costs. Each project varies in the extent to which actual cost data is available and therefore all numbers should be considered estimated costs. Source: Approved Cost Control Reports.
5. The San Bernardino Project has been stopped due to siting problems. Consequently the only cost data available is actual site acquisition costs. Source: Actual expenditures.
6. The Blythe cost data is based on conceptual cost modeling techniques and does not include data for preliminary plans, design documents or actual costs. This project is not at a stage where more precise cost estimates are available and should be considered as preliminary cost estimates. Source: Draft Cost Control Report (not yet approved by the Department).
7. Los Angeles/Crown Coach acquisition cost data is based on appraisal and budget estimate information and includes an estimate for easements. Site preparation and infrastructure cost estimates are preliminary estimates only and are taken from the report "Design Investigation for a Combined Level III Prison and Reception Center, Los Angeles, California" prepared in May 1985.
8. The Del Norte project is not included in the table because budget estimates are currently being developed.

**AUDITOR GENERAL'S COMMENTS ON THE  
YOUTH AND ADULT CORRECTIONAL AGENCY'S RESPONSE**

In its response to our report, the Youth and Adult Correctional Agency disagrees with our conclusions that it did not follow its established procedures in selecting the Crown Coach site and that construction of a prison on the property may be delayed due to the proximity of a hazardous waste site. We believe that the conclusions we reached are reasonable and supported by the facts.

After reviewing the agency's response, we made four minor changes to our report to reflect the information the response provided. Listed below are our detailed responses to the specific points raised by the Youth and Adult Correctional Agency.

- ① We do not believe that the changes to the selection criteria the department made for the Amador, Del Norte, Kings, and Riverside sites can be used to justify the department's deviation from its established selection process when it selected a site for the Los Angeles reception center. The changes in the definition of the projects for the first four prisons did not significantly affect the size and location of the prison sites; however, the redefinition of the project in Los Angeles County did significantly affect the site requirements. Because the department did not follow established site-selection criteria for a reception center, the department may not have identified some potential sites for the reception center. In addition, because the department did not evaluate alternative sites, it may not have selected the best of the sites it did identify.

Although the department's generic site-selection criteria may not need to be altered significantly for the types of prisons it planned to build in Amador, Del Norte, Kings, Riverside, and Los Angeles counties, these criteria are not suitable for selecting a site for a reception center. For example, the department's generic criteria for a 1,700-bed, work-based, Level III facility call for sites having between 180 and 360 acres. The department's site-selection criteria for the Los Angeles County 1,700-bed, Level III, work-based prison of approximately 12 stories call for sites having between 40 and 80 acres. When the department evaluated the Crown Coach site in November 1984, the site comprised approximately 12 acres. The site presently comprises 20 acres. However, when the department was attempting to identify alternative sites, it sent to real estate companies and local government representatives its site-selection criteria for the work-based, Level III facility, which required at least a 40-acre site. Consequently, the department may not have been notified of sites of less than 40 acres that may have been suitable for either a reception center or a combined reception center/Level III facility.

- ② Our report concludes that construction of a prison may be delayed because of hazardous waste contamination on property adjacent to the Crown Coach site. Our report also concludes that the value of the Crown Coach site is likely to be reduced because of the contamination. We base our conclusions on the following:
- As we point out on page 17 of our report, there has been no testing of the Crown Coach property for hazardous waste contamination;
  - The agency states that, if the hazardous waste site is cleaned up, there will be no effect on the appraised value of the property. However, as we point out on page 21 of our report, our independent appraisal consultant has stated that several factors will affect the value, including the time to mitigate the contamination, the probability that the contamination will be mitigated, the effect of the hazardous waste site on the usefulness of the prison site, and the possibility of contamination intruding onto the prison site; and
  - The director of the Department of Health Services (DHS) has said that it is his department's policy to make the border zone designation only in cases in which there is no firm schedule for site mitigation in an enforceable agreement. The draft agreement between the DHS and the Southern California Gas Company (SCGC) contains no schedule for initiation or completion of cleanup work. However, the director of the DHS has said that, because his department is in the process of finalizing the draft agreement, it is quite unlikely that the DHS would designate the property a border zone. Further, the DHS estimates that cleanup will take approximately three years. Therefore, cleanup may not be completed until 1989.
- ③ While we agree that the department prepared preliminary site evaluation forms for 40 sites for a Level III prison and for one site for a reception center, the department could not provide documentation that it performed similar evaluations of any other sites.
- ④ Although we state in our report that the Vignes site was "top-ranked" as a prison site for Los Angeles County, we have no evidence that the site was actually selected on December 15, 1983.
- ⑤ As we state on page 10 of our report, the department rejected the Crown Coach site for a 1,700-bed, Level III prison because the 8-acre property was too small. However, the department could not provide records showing that it had considered a combination reception center/Level III prison before May 1985.
- ⑥ We state on page 12 of our report that the deputy secretary of the Youth and Adult Correctional Agency personally evaluated other sites for the reception center but that he made no record of these evaluations. We found no other evidence that the agency re-examined the four sites for a reception center.

- ⑦ While we agree that only one prison is authorized for Los Angeles County, the department has evaluated sites for both a Level III prison and a reception center. However, the department could provide no records that it evaluated more than one site for a reception center.
- ⑧ The three sites that are similar in size, shape, location, and use are Bethlehem Steel, Forum, and Ameron.
- ⑨ See comment 2 above.
- ⑩ See comment 4 above.
- ⑪ See comment 5 above.

cc: Members of the Legislature  
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